

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name Inverness Township	County CHEBOYGAN	Type TOWNSHIP	MuniCode
Opinion Date-Use Calendar Jul 14, 2008	Audit Submitted-Use Calendar Jul 23, 2008	Fiscal Year-Use Drop List	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/> 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> 5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> 6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> 12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/> 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> 18. Are there reported deficiencies? <input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="\$ 394,918.00"/>
General Fund Expenditure:	<input type="text" value="\$ 210,669.00"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text" value="\$ 1,047,148.00"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) Daniel	Last Name Nieland	Ten Digit License Number 1101012250		
CPA Street Address 201 South Main St	City Cheboygan	State MI	Zip Code 49721	Telephone +1 (231) 627-4396
CPA Firm Name Nieland & Kosanke P.C.	Unit's Street Address 734 South V.F.W. Rd	City Cheboygan	LU Zip 49721	

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
FINANCIAL STATEMENTS

FOR THE YEAR ENDING
MARCH 31, 2008

NIELAND & KOSANKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

201 SOUTH MAIN STREET, SUITE #2

CHEBOYGAN, MICHIGAN 49721

(231) 627-4396

FAX: (231) 627-6594

DANIEL R. NIELAND, C.P.A.
JOSEPH D. KOSANKE, C.P.A.

MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Supervisor and Members Of
The Township Board of Trustees
Inverness Township
Cheboygan County, Michigan 49721

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Inverness Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, each major fund and the aggregate remaining fund information of Inverness Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, and budgetary comparison information on pages 4 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Inverness Township's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Inverness Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on my audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nieland & Kosanke, P.C.
Certified Public Accountants

July 14, 2008
Cheboygan, Michigan 49721

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

The Management's Discussion and Analysis for Inverness Township covers the Township's financial performance during the year ended March 31, 2008.

Cash

Inverness Township continues to operate with substantial cash on hand. Cash has been invested in Certificates of Deposit in order to gain the best return yet keeping the funds readily available.

Roads

In July, 2006, Church Road was repaved at a cost of approximately \$110,000. In 2007, Mullett Lake Village Road and Polish Line Road were striped. Annual cost sharing funds from the County continue to decrease. Cost for road brine increases each year.

Liquor Fund

Due to reduced liquor revenue funds from the State of Michigan, frequency of liquor inspection continues each month.

Sewer Project

Sewer project continues to experience drastically increased flow numbers during the spring thaw time of year. Smoke testing of the system is scheduled for June to look for broken pipes/connections, illegal hookups, or other sources of this problem. Also, a 3 year schedule has been established to perform preventive maintenance on grinder pumps within the system.

REUs are holding steady. The Pier 33 project did put one building on-line but the project is currently for sale. Inquiries have been received from a potential buyer about available sewer capacity for the project. The Township did purchase additional sewer capacity in June of 2007 at a cost of \$134,280.

DDA tax increment revenues are currently as estimated. The DDA has undertaken a street lighting project and has completed Phase I (installing 21 street lights from the City limits to VFW Road). Phase II of this project (VFW Road to the M-33 bridge) is pending.

Township Hall

The Township Hall continues to serve residents at reasonable rental rates. Rents cover approximately one half of the operating costs at the Hall.

Transfer Station

The Transfer Station continues to offer trash disposal to residents at a minimal rate. Fees cover slightly less than one half of the Transfer Station costs. Spring and fall clean up days are popular and help keep trash out of ditches and woods.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

Transfer Station (continued)

The Township opted in for the Cheboygan County Recycling Program at an annual cost of \$24.00 per household. That program seems to be off to a successful start and the Township has experienced only minimal opposition.

Joint Fire Department

Voters renewed the one mill Special Voted Fire Millage at the August 8, 2006, election for the period 2007 through 2013 inclusive for the purpose of providing funds to be used by the Township for fire protection within the Township.

Inverness Township has joined with Beaugrand Township to build a new 64' x 104' fire hall at the site of the current fire hall. Based on property values, this is a 70% - 30% split (Inverness – Beaugrand). The interests of Munro and Hebron Townships will be bought out and they will continue to contribute to annual operating costs and equipment fund. Additional property will need to be purchased from Inverness Dairy Farms at an agreed cost of \$2,000. On completion of the new building, the current building will be demolished. A contract has been entered with The Architect Forum in the amount of \$33,800. We are awaiting final numbers on construction costs.

Township Parks

Picnic tables were replaced at both Polish Line Road and Foote Road beaches in 2006. In 2007, the Township treated the beaches for swimmers itch after not having done so for several years. Residents have requested that annual treatment be continued in an expanded area.

Township Cemeteries

Signs were purchased for both Maple Grove Cemetery and Riggsville Cemetery in 2006. Both entrance signs and cemetery rule signs were installed at both locations. Management of the cemetery lot ownership and occupants is becoming challenging enough that the Township is considering purchasing a cemetery management program.

Financial Highlights

Our financial status remained stable over the last year. Net assets decreased from \$2,173,785 to \$2,146,344 for a decrease of \$27,441. This decrease was due primarily to outlay in the Sewer Fund in the amount of \$134,280 for the purchase of additional sewer capacity.

Overall revenue is \$702,929. We incurred no new debt.

Overview of Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

Overview of Financial Statements (continued)

include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Entity-Wide Financial Statements

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All activities of the Township are reported as governmental activities, and there are no business type activities. Governmental activities include the General Fund, Fire Fund, Road Fund, Revolving and Development Fund and Liquor Fund.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant funds and not the Township as a whole. In the section for other supplement information, the General Fund revenue and expenditures are shown on the line item basis. Funds are used to account for specific activities or funding sources. Some funds are just required by law. The Township Board may also create them. Funds are established to account for funding and spending financial resources and to show proper expenditures of those resources.

The Township has the following funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Fund, Street Lighting Fund, Liquor Fund and D.D.A. Fund.

Proprietary Funds: These funds are used to account for the Sewer Funds. This fund type is used to report activity for which a fee is charged to external users for goods or services. The Proprietary Funds consist of the Sewer Fund and the Sewer Reserve Fund.

Financial Analysis of the Township as a Whole

Our cash position in all governmental activities remains strong. Year-end cash position of all funds is as follows:

General Fund	\$ 930,765
Street Lighting Fund	2,118
D.D.A.	90,447
Liquor Fund	<u>1,434</u>
Total Government Fund Cash	<u>\$1,024,764</u>

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENIDNG MARCH 31, 2008

Financial Analysis of the Township's Funds

Individual fund balances remain solid, as indicated by year-end balance and net change reflected below:

	Balance March 31, <u>2007</u>	Balance March 31, <u>2008</u>	Increase (Decrease)
General Fund	\$ 930,456	\$1,047,148	\$116,692
Fire Fund	135,111	182,739	47,628
Street Lighting Fund	1,591	1,778	187
D.D.A.	125,676	57,287	182,963
Liquor Fund	<u>712</u>	<u>1,434</u>	<u>722</u>
Totals	<u>\$1,193,546</u>	<u>\$1,290,386</u>	<u>\$348,192</u>

Capital Assets and Long-Term Debt Activity

The Township's total capital outlay in governmental funds was \$6,342. There was no long-term debt activity either new borrowing or principal repayment.

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of Inverness Township's finances and also to show the accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township officials at 734 South V.F.W. Road, Cheboygan, Michigan 49721.

GENERAL PURPOSE FINANCIAL STATEMENTS

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GOVERNMENT -WIDE STATEMENTS OF NET ASSETS
MARCH 31, 2008

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business – Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash	\$1,163,452	\$178,903	\$1,342,355
Taxes Receivable	25,456	12,203	37,659
Due From Other Funds	192,362	0	192,362
Due From Other Governments	<u>92,516</u>	<u>23,081</u>	<u>115,597</u>
Total Current Assets	<u>\$1,473,786</u>	<u>\$214,187</u>	<u>\$1,687,973</u>
NON-CURRENT ASSETS:			
CAPITAL ASSETS:			
Land	\$ 30,250	\$ 0	\$ 30,250
Buildings	199,919	0	199,919
Equipment	1,032,722	0	1,032,722
Infrastructure	0	3,419,000	3,419,000
Accumulated Depreciation	<u>(579,666)</u>	<u>(227,728)</u>	<u>(807,394)</u>
Total Non-Current Assets	<u>683,225</u>	<u>3,191,272</u>	<u>3,874,497</u>
Total Assets	<u>\$2,157,011</u>	<u>\$3,405,459</u>	<u>\$5,562,470</u>
LIABILITIES:			
Accounts Payable	\$ 1,822	\$ 3,836	\$ 5,658
Accrued Interest Payable	0	11,836	11,836
Payroll Taxes Payable	799	0	799
Due Other Funds	49,407	142,730	192,137
Non-Current Liabilities:			
Due Within One Year	0	55,000	55,000
Due In More Than One Year	<u>0</u>	<u>3,145,000</u>	<u>3,145,000</u>
Total Liabilities	<u>\$ 52,028</u>	<u>\$3,358,402</u>	<u>\$3,410,430</u>
NET ASSETS:			
Invested In Capital Assets Net of Related Debt	\$ 683,225	\$ (8,728)	\$ 674,497
Restricted For:			
Capital Projects	97,856	0	97,856
Public Works	1,778	55,785	57,563
Unrestricted	<u>1,316,428</u>	<u>0</u>	<u>1,316,428</u>
TOTAL NET ASSETS	<u>\$2,099,287</u>	<u>\$ 47,057</u>	<u>\$2,146,344</u>

The accompanying notes are an integral
part of these financial statements.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDING MARCH 31, 2008

Net (Expense) Revenue and Changes in Net Assets							
<u>Primary Government</u>							
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES:							
Legislative	\$ 32,664	\$ 0	\$ 0	\$ 0	\$ (32,664)	\$ 0	\$ (32,664)
Executive	12,891	0	0	0	(12,891)	0	(12,891)
General Services and Administration	98,380	0	0	0	(98,380)	0	(98,380)
Public Safety	124,652	1,148	47,826	0	(75,678)	0	(75,678)
Public Works	26,811	17,777	0	0	(9,034)	0	(9,034)
Sanitation	30,835	0	0	0	(30,835)	0	(30,835)
Parks and Recreation	3,791	0	0	0	(3,791)	0	(3,791)
Other	<u>17,889</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(17,889)</u>	<u>0</u>	<u>(17,889)</u>
TOTAL GOVERNMENT ACTIVITIES	347,913	18,925	47,826	0	(281,162)	0	(281,162)
BUSINESS -TYPE ACTIVITIES:							
Sewer	<u>382,457</u>	<u>98,283</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(284,174)</u>	<u>(284,174)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$730,370</u>	<u>\$117,208</u>	<u>\$ 47,826</u>	<u>\$ 0</u>	(281,162)	(284,174)	(565,336)

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE FISCAL YEAR ENDING MARCH 31, 2008

					Net (Expense) Revenue and Changes in Net Assets		
					<u>Primary Government</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
GENERAL REVENUE:							
Taxes					\$ 297,719	\$ 52,044	\$ 349,763
State Shared Revenue					161,866	0	161,866
Interest and Rentals					18,618	5,486	24,104
Miscellaneous					2,162	0	2,162
Transfers					<u>(33,590)</u>	<u>33,590</u>	<u>0</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>446,775</u>	<u>91,120</u>	<u>537,895</u>
CHANGE IN NET ASSETS					165,613	(193,054)	(27,441)
NET ASSETS – BEGINNING					<u>1,933,674</u>	<u>240,111</u>	<u>2,173,785</u>
NET ASSETS – ENDING					<u>\$2,099,287</u>	<u>\$ 47,057</u>	<u>\$2,146,344</u>

The accompanying notes are an integral
part of these financial statements.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
BALANCE SHEET
MARCH 31, 2008

	General <u>Fund</u>	Fire <u>Fund</u>	Non-Major Governmental <u>Fund</u>	Total Government <u>Funds</u>
ASSETS:				
Cash	\$ 930,765	\$138,688	\$ 93,999	\$1,163,452
Taxes Receivable	25,456	0	0	25,456
Due From Other Funds	142,955	49,407	0	192,362
Due From Other Govern.	<u>0</u>	<u>0</u>	<u>92,516</u>	<u>92,516</u>
TOTAL ASSETS	<u>\$1,099,176</u>	<u>\$188,095</u>	<u>\$186,515</u>	<u>\$1,473,786</u>
LIABILITIES:				
Accounts Payable	\$ 1,822	\$ 5,356	\$ 340	\$ 7,518
Payroll Taxes Payable	799	0	0	799
Due To Other Funds	<u>49,407</u>	<u>0</u>	<u>0</u>	<u>49,407</u>
Total Liabilities	52,028	5,356	340	57,724
FUND BALANCE:				
Unreserved	1,047,148	84,883	184,397	1,316,428
Reserved	<u>0</u>	<u>97,856</u>	<u>1,778</u>	<u>99,634</u>
Total Fund Balance	<u>1,047,148</u>	<u>182,739</u>	<u>186,175</u>	<u>1,416,062</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$1,099,176</u>	<u>\$188,095</u>	<u>\$186,515</u>	<u>\$1,473,786</u>

The accompanying notes are an integral
part of these financial statements.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2008

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$1,416,062
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>683,225</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$2,099,287</u>
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INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDING MARCH 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$222,516
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Amounts reported for governmental activities in the
 Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.
 However, in the statement of activities, the cost of those
 assets is allocated over their estimated useful lives as
 depreciation expense. This is the amount by which capital
 outlays exceeded depreciation in the current period.

Depreciation Expense	\$ 56,903	<u>56,903</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$165,613</u>
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INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING MARCH 31, 2008

	General <u>Fund</u>	Fire <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Government <u>Funds</u>
REVENUE:				
Taxes	\$201,078	\$ 0	\$ 96,641	\$297,719
State Shared Revenue	160,329	0	1,537	161,866
Charges for Services	17,777	1,148	0	18,925
Interest & Rentals	14,903	2,655	1,061	18,619
Miscellaneous	831	1,331	0	2,162
Contributions From Local Governments	<u>0</u>	<u>47,825</u>	<u>0</u>	<u>47,825</u>
Total Revenue	394,918	52,959	99,239	547,116
EXPENDITURES:				
Legislative	32,664	0	0	32,664
Elections	1,179	0	0	1,179
General Services and Administration	104,138	0	0	104,138
Law Enforcement	0	0	815	815
Fire	0	72,884	0	72,888
Highways & Streets	22,873	0	3,938	26,811
Sanitation	30,835	0	0	30,835
Public Works	1,091	0	2,700	3,791
Other	<u>17,889</u>	<u>0</u>	<u>0</u>	<u>17,889</u>
Total Expenditures	<u>210,669</u>	<u>72,888</u>	<u>7,453</u>	<u>291,010</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	184,249	(19,929)	91,786	256,106
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	67,557	0	67,557
Operating Transfers (Out)	<u>(67,557)</u>	<u>0</u>	<u>(33,590)</u>	<u>(101,147)</u>
Total Other Financing Sources (Uses)	<u>(67,557)</u>	<u>67,557</u>	<u>(33,590)</u>	<u>(33,590)</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 (CONTINUED)
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING MARCH 31, 2008

	General <u>Fund</u>	Fire <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Government <u>Funds</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$ 116,692	\$ 47,628	\$ 58,196	\$ 222,516
FUND BALANCES – BEGINNING OF YEAR	<u>930,456</u>	<u>135,111</u>	<u>127,979</u>	<u>1,193,546</u>
FUND BALANCES – END OF YEAR	<u>\$1,047,148</u>	<u>\$182,739</u>	<u>\$186,175</u>	<u>\$1,416,062</u>

The accompanying notes are an integral
part of these financial statements.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STATEMENT OF ASSETS
PROPRIETARY FUNDS
MARCH 31, 2008

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 179,223	\$ (320)	\$ 178,903
Special Assessments Receivable	12,203	0	12,203
Due From Other Governments	<u>23,081</u>	<u>0</u>	<u>23,081</u>
Total Current Assets	214,507	(320)	214,187
NON-CURRENT ASSETS:			
CAPITAL ASSETS:			
Infrastructure	3,419,000	0	3,419,000
Less Accumulated Depreciation	<u>(227,728)</u>	<u>0</u>	<u>(227,728)</u>
Net Capital Assets	<u>3,191,272</u>	<u>0</u>	<u>3,191,272</u>
TOTAL ASSETS	<u>\$3,405,779</u>	<u>\$ (320)</u>	<u>\$3,3405,459</u>

<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Accounts Payable	\$ 2,386	\$ 1,450	\$ 3,836
Accrued Interest Payable	11,836	0	11,836
Due To Other Funds	142,730	0	142,730
Current Portion of Long-Term Debt	<u>55,000</u>	<u>0</u>	<u>55,000</u>
Current Liabilities	211,952	1,450	213,402
NON-CURRENT LIABILITIES:			
Long-Term Debt Payable	<u>3,145,000</u>	<u>0</u>	<u>3,145,000</u>
Total Non-Current Liabilities	<u>3,145,000</u>	<u>0</u>	<u>3,145,000</u>
TOTAL LIABILITIES	<u>\$3,356,952</u>	<u>\$ 1,450</u>	<u>\$3,358,402</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 STATEMENT OF ASSETS (CONTINUED)
 PROPRIETARY FUNDS
 MARCH 31, 2008

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ (8,728)	\$ 0	\$ (8,728)
Restricted	<u>57,555</u>	<u>(1,770)</u>	<u>55,785</u>
TOTAL NET ASSETS	<u>\$ 48,827</u>	<u>\$ (1,770)</u>	<u>\$47,057</u>

The accompanying notes are an integral
part of these financial statements.

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 PROPRIETARY FUNDS
 MARCH 31, 2008

	Sewer <u>Fund</u>	Sewer Reserve <u>Fund</u>	<u>Total</u>
REVENUES:			
Special Assessments	\$ 52,044	\$ 0	\$ 52,044
Charges for Services	98,283	0	98,283
Interest	<u>5,486</u>	<u>0</u>	<u>5,486</u>
Total Revenues	155,813	0	155,813
EXPENDITURES:			
Contract Services	134,280	30,610	164,890
Interest	148,987	0	148,987
Depreciation	<u>68,380</u>	<u>0</u>	<u>68,380</u>
Total Expenditures	351,647	30,610	382,257
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(195,834)	(30,610)	(226,444)
OTHER FINANCIAL SOURCES/USES:			
Operating Transfers In	33,590	29,160	62,750
Operating Transfers (Out)	<u>(29,160)</u>	<u>0</u>	<u>(29,160)</u>
Total Other Financing Sources/Uses	<u>4,430</u>	<u>29,160</u>	<u>33,590</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(191,404)	(1,450)	(192,854)
FUND BALANCES -BEGINNING OF YEAR	<u>248,956</u>	<u>(320)</u>	<u>248,636</u>
FUND BALANCES -END OF YEAR	<u>\$ 57,552</u>	<u>\$ (1,770)</u>	<u>\$ 55,782</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
MARCH 31, 2008

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Special Assessments	\$ 52,044	\$ 0
Charges for Services	98,283	0
Depreciation	68,380	0
Contract Services	<u>0</u>	<u>(30,610)</u>
Net Cash Provided By Operating Activity	<u>218,707</u>	<u>(30,610)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer From Other Funds	33,590	29,160
Transfer To Other Funds	(29,160)	0
Net Amount Due Other Funds	<u>119,649</u>	<u>0</u>
Net Cash From Non-Capital Financing Activities	<u>124,079</u>	<u>29,160</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal and Interest Paid on Capital Debt	(198,987)	0
Increase in Accounts Payable	<u>0</u>	<u>1,450</u>
Net Cash From Capital and Related Financing Activities	<u>(198,987)</u>	<u>1,450</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest	<u>5,486</u>	<u>0</u>
Net Cash from Investing Activities	<u>5,486</u>	<u>0</u>
NET INCREASE IN CASH	149,285	0
BALANCE – BEGINNING OF YEAR	<u>29,938</u>	<u>(320)</u>
BALANCE – END OF YEAR	<u>\$179,223</u>	<u>\$ (320)</u>

The accompanying notes are an integral
part of these financial statements.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
FIDUCIARY FUNDS – STATEMENT OF NET ASSETS
MARCH 31, 2008

	Agency Fund Type (Property Tax Collection Fund)
ASSETS:	
Cash	\$ <u>671</u>
TOTAL ASSETS	\$ <u><u>671</u></u>
LIABILITIES:	
Due To Other Funds	\$ <u>671</u>
TOTAL LIABILITIES	\$ <u><u>671</u></u>
NET ASSETS	\$ <u><u>0</u></u>

The accompanying notes are an integral
part of these financial statements.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Inverness in Cheboygan, Michigan, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

Inverness Township is an incorporated Township, which operates under a Supervisor – Board form of government. The Township provides the following services: public safety, highways and streets, sanitation, public improvements and general administrative services.

The Township has considered all potential component units in valuating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 14 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the Organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are no component units to be included in these statements.

The financial reporting entity of Inverness Township includes all funds and accounts of the Township.

Discretely presented component unit:

The Inverness Township Fire Department was organized for control of day to day operations into a Joint Administrative Fire Board. The Board operates with officials appointed by the four different Townships involved. Because Inverness Township is the largest contributor and guarantor and because the Township retains budgetary control and veto power, the special revenue section of these financial statements reflect all activity of the Fire Board.

The Inverness Fire Department is shown under Governmental Funds – Fire Fund.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT -WIDE FINANCIAL STATEMENTS

Inverness Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. Inverness Township does classify sewer operation as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of Inverness Township's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating – specific and discretionary (either operating or capital) grants while the capital grants column reflects capital – specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of Inverness Township as an entity and the change in net assets resulting from the current year's activities. The effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- Fire Fund – The Fire Fund is used to account for financial resources to be used for expenditures related to fire protection within a four township district.
- Street Lighting Fund – The Street Lighting Fund is used to account for assessments specifically to cover costs of street lighting.
- D.D.A. Fund – Downtown Development Fund is used to account for tax increment financing for funding of the sewer system on the US-27 commercial corridor.
- Liquor Fund – This is a State mandated fund to fund liquor establishment inspection.

Proprietary Funds

The proprietary funds are used to account for specific activity (sewer) for which the Township charges for services and has financial capital assets with debt.

- Sewer Fund – Accounts for operations of the Sewer Fund, including collection of funds and repayment of debt.
- Sewer Reserve Fund – This Fund is used for system repair and maintenance.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets

All governmental funds are under formal budgetary control. Budgets shown in the financial statements as "GAAP Basis" are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Budgets are adopted on the departmental level and control is exercised on that level.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years.

All capital assets are valued historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land Improvements	20 years
Building, Structures and Improvements	40 years
Equipment	5-12 years
Infrastructure	50 years

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes

Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Interfund Activity

All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Vacation and Sick Leave

The Township has no liability for accumulated vacation or sick leave.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS

Cash equity in the common bank account of the Township is utilized by the various funds is as follows:

	<u>Checking</u>	<u>Savings</u>
General	\$ 80,919	\$532,851
Liquor Law	395	1,038
Street Lighting	<u>2,236</u>	<u>(118)</u>
	<u>\$ 83,550</u>	<u>\$533,771</u>

These deposits and interest payment accounts are with local financial institutions. All accounts are in the name of the Township. Interest is recorded when deposits mature or is credited to the applicable account.

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal or direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature no more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in the financial institutions located in states other than Michigan.

The Township deposits are in accordance with statutory authority. The Governmental Account Standards Board (GASB) Statement Number 3 risk disclosures for the Township cash deposit are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insurance (FDIC)	\$ 600,000
Uninsured	<u>742,355</u>
	<u>\$1,342,355</u>

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE C – CAPITAL ASSETS

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2008</u>
GOVERNMENTAL ACTIVITIES:				
Land	<u>\$ 30,250</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,250</u>
Total Capital Assets, Not Being Depreciated	30,250	0	0	30,250
Buildings and Improvements	199,919	0	0	199,919
Furniture and Equipment	<u>1,032,383</u>	<u>339</u>	<u>0</u>	<u>1,032,722</u>
Total Capital Assets Being Depreciated	<u>1,232,302</u>	<u>339</u>	<u>0</u>	<u>1,232,641</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(52,303)	(4,998)	0	(57,301)
Furniture and Equipment	<u>(470,460)</u>	<u>(51,905)</u>	<u>0</u>	<u>(522,365)</u>
Total Accumulated Depreciation	<u>(522,763)</u>	<u>(56,903)</u>	<u>0</u>	<u>(579,666)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 739,789</u>	<u>\$ 56,564</u>	<u>\$ 0</u>	<u>\$ 683,225</u>

A depreciation expense for the Governmental Activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 5,954
Fire Fund	<u>50,949</u>
	<u>\$ 56,903</u>

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE C – CAPITAL ASSETS (continued)

Summary of the capital assets for the Proprietary Fund (sewer) is as follows:

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>March 31, 2008</u>
PROPRIETARY FUND:				
Infrastructure	\$3,419,000	\$ 0	\$ 0	\$3,419,000
Accumulated Depreciation	<u>(159,348)</u>	<u>(68,380)</u>	<u>0</u>	<u>(227,728)</u>
PROPRIETARY FUND CAPITAL ASSETS, NET	<u>\$3,259,652</u>	<u>\$ (68,380)</u>	<u>\$ 0</u>	<u>\$3,191,272</u>

Depreciation expense for Proprietary Funds for the year ending March 31, 2008, was \$68,380.

NOTE D – DEFINED CONTRIBUTION PENSION PLAN

Inverness Township contributes to the Board Township Pension Plan, which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investment of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All Township employees participate in the plan from the date they are hired or elected. All contributions are subject to 100% vesting. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contribution because of 100% vesting.

Each employee contributes 12.5% of their gross earnings to the plan. The Township is required to contribute an amount equal to 12.5% of gross earnings.

During the year, the Township's required actual contributions amounted to \$16,120. Employees' required and actual contributions amounted to \$8,060.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE E – CONTINGENT LIABILITIES

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE F – BUDGET VARIANCES

Budgets are adopted on the departmental level. The budgets shown in the section for other supplemental information are shown by line items for information only. Therefore, negative variance is significant on the departmental basis. There were no significant unfavorable balances as of year-end.

NOTE G – INTERFUND TRANSFERS

The following summarizes interfund transfers:

	<u>General</u>	<u>Fire</u>	<u>DDA</u>	<u>Sewer</u>	<u>Sewer Reserve</u>
Transfers In	\$ 0	\$ 67,557	\$ 0	\$ 33,590	\$101,147
Transfers Out	<u>(67,557)</u>	<u>0</u>	<u>(33,590)</u>	<u> </u>	<u>(101,147)</u>
	<u><u>\$(67,557)</u></u>	<u><u>\$ 67,557</u></u>	<u><u>\$(33,590)</u></u>	<u><u>\$ 33,590</u></u>	<u><u>\$ -0-</u></u>

NOTE H – LONG-TERM DEBT SEWER

The sewer project is being financed by a United States Department of Agriculture Rural Development loan. The loan is to be repaid over a thirty-eight year period with principal repayment according to the schedule below and interest at 4.625% per annum. These bonds, while issued by the County of Cheboygan, are guaranteed by the full faith and credit of the Township.

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE H – LONG-TERM DEBT SEWER (continued)

Principal repayment schedule:

<u>Year</u>	<u>Principal Amount</u>
2008	\$ 55,000
2009	60,000
2010	65,000
2011	70,000
2012	75,000
2013	80,000
2014	85,000
2015	90,000
2016 – 2021	95,000
2022 – 2042	100,000

GENERAL FUND

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 GENERAL FUND
 STATEMENT OF APPROPRIATIONS, REVENUES AND TRANSFERS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>
REVENUES:		
Taxes:		
Current Property Tax	\$ 82,500	\$166,079
Property Tax Administration Fees	<u>30,000</u>	<u>34,999</u>
Total Taxes	<u>112,500</u>	<u>201,078</u>
State Shared Revenues	<u>150,000</u>	<u>160,329</u>
Charges for Services:		
Sales – Cemetery Lots and Other	500	1,320
Dump Tickets	17,000	16,457
Other	<u>300</u>	<u>0</u>
Total Charges for Services	<u>17,800</u>	<u>17,777</u>
Interest	<u>16,800</u>	<u>9,928</u>
Miscellaneous	<u>0</u>	<u>831</u>
Rent	<u>5,000</u>	<u>4,975</u>
TOTAL REVENUES	<u>\$302,100</u>	<u>\$394,918</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 GENERAL FUND
 STATEMENT OF APPROPRIATIONS, EXPENDITURES AND TRANSFERS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>
EXPENDITURES:		
General Government:		
Township Board	\$168,850	\$ 32,664
Supervisor	14,060	12,891
Clerk	21,600	19,817
Board of Review	3,000	1,690
Elections	1,200	1,179
Treasurer	25,500	24,481
Cemetery	6,300	6,102
Assessor	23,400	22,976
Township Hall	18,800	16,181
Township Property – Other	<u>0</u>	<u>0</u>
Total General Government	<u>282,710</u>	<u>137,981</u>
Highways and Streets	<u>260,000</u>	<u>22,873</u>
Sanitation	<u>42,650</u>	<u>30,835</u>
Public Works	<u>1,200</u>	<u>1,091</u>
Parks and Recreation	<u>4,000</u>	<u>3,899</u>
Other Functions:		
Insurance and Other	<u>17,500</u>	<u>13,990</u>
Total Expenditures	608,060	210,669
TRANSFERS TO OTHER FUNDS:		
Fire Fund	<u>300,000</u>	<u>67,557</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>\$908,060</u>	<u>\$278,226</u>

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 GENERAL FUND
 STATEMENT OF DETAILED EXPENDITURES AND TRANSFERS
 YEAR ENDING MARCH 31, 2008

EXPENDITURES:

Legislative:

Township Board:

Wages	\$ 15,509	
Professional Services	12,253	
Printing and Publishing	408	
Membership and Dues	1,700	
Pension	190	
Supplies	32	
Miscellaneous	<u>2,572</u>	<u>\$ 32,664</u>

Executive:

Supervisor:

Salary – Supervisor	12,759	
Office Supplies	27	
Transportation and Travel	55	
Dues and Subscriptions	<u>50</u>	<u>12,891</u>

General Services Administration:

Clerk:

Salary – Clerk	16,776	
Office Supplies	1,069	
Communication	506	
Repair and Maintenance	1,089	
Capital Outlay	<u>377</u>	19,817

Board of Review:

Wages	1,300	
Printing and Publishing	<u>390</u>	1,690

Treasurer:

Salary	22,512	
Office Supplies	940	
Professional Fees	690	
Capital Outlay	<u>339</u>	24,481

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 GENERAL FUND
 STATEMENT OF DETAILED EXPENDITURES AND TRANSFERS
 YEAR ENDING MARCH 31, 2008

EXPENDITURES: (Continued)

General Services Administration:

Cemetery:

Repairs and Maintenance	\$ 3,848	
Contracted Services	1,879	
Insurance	<u>375</u>	\$ 6,102

Elections:

Salary	895	
Supplies	<u>284</u>	1,179

Assessor:

Salary	21,500	
Contract Services	1,215	
Supplies	<u>261</u>	22,976

Township Hall:

Wages	3,410	
Repairs and Maintenance	1,879	
Supplies	710	
Utilities	4,110	
Contracted Services	5,115	
Insurance	787	
Printing and Publishing	<u>170</u>	16,181

Beaches:

Insurance	885	
Repair and Maintenance	2,734	
Supplies	<u>280</u>	<u>3,899</u>

Total General Services Administration		<u>96,325</u>
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Highways and Streets:

Highways, Streets and Bridges:

Roads	22,873	
Utilities	<u>1,091</u>	<u>23,964</u>

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 GENERAL FUND
 STATEMENT OF DETAILED EXPENDITURES AND TRANSFERS
 YEAR ENDING MARCH 31, 2008

EXPENDITURES: (Continued)

Sanitation:

Sanitary Landfill:

Salaries	\$ 4,884	
Contracted Services	22,348	
Insurance	620	
Printing and Publishing	497	
Utilities	2,085	
Maintenance	339	
Supplies	<u>62</u>	<u>30,835</u>

Other Functions:

Insurance	4,582	
Payroll and Pension	<u>9,408</u>	<u>13,990</u>

TOTAL EXPENDITURES	<u>210,669</u>
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TRANSFERS:

Fire Fund	<u>67,557</u>	<u>67,557</u>
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TOTAL EXPENDITURES AND TRANSFERS	<u><u>\$278,226</u></u>
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FIRE DEPARTMENT FUND

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
BALANCE SHEET
FIRE DEPARTMENT FUND
MARCH 31, 2008

ASSETS

ASSETS:

Cash	\$138,688
Due From Other Funds	<u>49,407</u>

TOTAL ASSETS	<u>\$188,095</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts Payable	<u>\$ 5,356</u>
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Total Liabilities	5,356
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FUND EQUITY:

Unreserved:	
Undesignated	84,883

Reserved:	
Designated	<u>97,856</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$188,095</u>
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INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 FIRE DEPARTMENT FUND
 STATEMENT OF DETAILED REVENUES, EXPENDITURES AND TRANSFERS
 BUDGET AND ACTUAL
 YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
Charges For Services	\$ 500	\$ 1,148	\$ 648
Interest Income	223	2,655	2,432
Miscellaneous	0	1,331	1,331
Contributions From Local Governments	<u>39,702</u>	<u>47,825</u>	<u>8,123</u>
Total Revenue	<u>40,425</u>	<u>52,959</u>	<u>12,534</u>
EXPENDITURES:			
Wages – Firemen and Board	33,100	22,980	10,120
Payroll Taxes	2,500	1,758	742
Operating Supplies	1,200	410	790
Repairs and Maintenance	11,000	11,117	(117)
Insurance	20,000	18,626	1,374
Utilities	7,000	6,421	579
Dues and Memberships	1,500	881	619
Capital Outlay	7,000	5,626	1,374
Miscellaneous	2,300	899	1,401
Office Expense	500	598	(98)
Mileage and Travel	1,700	1,657	43
Professional Services	1,000	1,654	(654)
Printing and Publishing	<u>150</u>	<u>261</u>	<u>(111)</u>
Total Expenditures	<u>88,950</u>	<u>72,888</u>	<u>16,062</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	(48,525)	(19,929)	28,596
OTHER FINANCING SOURCES:			
Operating Transfer In	<u>48,525</u>	<u>67,557</u>	<u>19,032</u>
Total Other Financing Sources	<u>48,525</u>	<u>67,557</u>	<u>19,032</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 FIRE DEPARTMENT FUND
 STATEMENT OF DETAILED REVENUES, EXPENDITURES AND TRANSFERS
 BUDGET AND ACTUAL
 YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (<u>Unfavorable</u>)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 0</u>	\$ 47,628	<u>\$ 47,628</u>
FUND BALANCE – BEGINNING OF YEAR		<u>135,111</u>	
FUND BALANCES – END OF YEAR		<u>\$182,739</u>	

NON-MAJOR GOVERNMENTAL FUNDS

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
YEAR ENDING MARCH 31, 2008

	<u>Special Revenue Funds</u>			
	<u>Liquor Law Enforcement</u>	<u>Street Lighting</u>	<u>DDA Fund</u>	<u>Total</u>
ASSETS:				
Cash	\$ 1,434	\$ 2,118	\$ 90,447	\$ 93,999
Due From Other Governmental Units	<u>0</u>	<u>0</u>	<u>92,516</u>	<u>92,516</u>
TOTAL ASSETS	<u>\$ 1,434</u>	<u>\$ 2,118</u>	<u>\$182,963</u>	<u>\$186,515</u>
LIABILITIES:				
Accounts Payable	<u>\$ 0</u>	<u>\$ 340</u>	<u>\$ 0</u>	<u>\$ 340</u>
Total Liabilities	0	340	0	340
FUND EQUITY:				
Unreserved – Undesignated	1,434	0	182,963	184,397
Reserved – Designated	<u>0</u>	<u>1,778</u>	<u>0</u>	<u>1,778</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,434</u>	<u>\$ 2,118</u>	<u>\$182,963</u>	<u>\$186,515</u>

The accompanying notes are an integral part of these financial statements.

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDING MARCH 31, 2008

	<u>Special Revenue Funds</u>			
	<u>Liquor Law Enforcement</u>	<u>Street Lighting</u>	<u>DDA Fund</u>	<u>Total</u>
REVENUES:				
State Shared Revenue	\$ 1,537	\$ 0	\$ 0	\$ 1,537
Interest	0	0	1,061	1,061
Taxes	<u>0</u>	<u>4,125</u>	<u>92,516</u>	<u>96,641</u>
Total Revenues	<u>1,537</u>	<u>4,125</u>	<u>93,577</u>	<u>99,239</u>
EXPENDITURES:				
Current:				
Law Enforcement	815	0	0	815
Public Works	0	0	2,700	2,700
Street and Highways	<u>0</u>	<u>3,938</u>	<u>0</u>	<u>3,938</u>
Total Expenditures	<u>815</u>	<u>3,938</u>	<u>2,700</u>	<u>7,453</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	722	187	90,877	91,786
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>(33,590)</u>	<u>(33,590)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>(33,590)</u>	<u>(33,590)</u>
EXCESS OF REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER (USES)	722	187	57,287	58,196
FUND BALANCE – BEGINNING OF YEAR	<u>712</u>	<u>1,591</u>	<u>125,676</u>	<u>127,979</u>
FUND BALANCE – END OF YEAR	<u>\$ 1,434</u>	<u>\$ 1,778</u>	<u>\$182,963</u>	<u>\$186,175</u>

The accompanying notes are an integral part of these financial statements.

LIQUOR LAW ENFORCEMENT FUND

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 LIQUOR LAW ENFORCEMENT FUND
 BALANCE SHEET
 YEAR ENDING MARCH 31, 2008

ASSETS

ASSETS:	
Cash	\$ <u>1,434</u>
TOTAL ASSETS	<u>\$ 1,434</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts Payable	\$ <u>0</u>
Total Liabilities	0
FUND BALANCE:	
Unreserved:	
Undesignated	<u>1,434</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,434</u>

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 LIQUOR LAW ENFORCEMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>
REVENUE:		
State Shared Revenue	\$ <u>1,500</u>	\$ <u>1,537</u>
Total Revenue	<u>1,500</u>	<u>1,537</u>
EXPENDITURES:		
Law Enforcement:		
Wages and Salary	<u>1,500</u>	<u>815</u>
Total Expenditures	<u>1,500</u>	<u>815</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 0</u>	722
FUND BALANCE – BEGINNING OF YEAR		<u>712</u>
FUND BALANCE – END OF YEAR		<u>\$ 1,434</u>

STREET LIGHTING FUND

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STREET LIGHTING FUND
BALANCE SHEET
MARCH 31, 2008

ASSETS

ASSETS:

Cash	\$ 2,118
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TOTAL ASSETS	<u>\$ 2,118</u>
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LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts Payable	\$ 340
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Total Liabilities	340
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FUND EQUITY:

Reserved:	
Designated	<u>1,778</u>

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,118</u>
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The accompanying notes are an integral
part of these financial statements.

INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 STREET LIGHTING FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>
REVENUE:		
Taxes	\$ 4,000	\$ 4,125
Total Revenue	<u>4,000</u>	<u>4,125</u>
EXPENDITURES:		
General Services Administration:		
Streets and Highways	<u>4,000</u>	<u>3,938</u>
Total Expenditures	<u>4,000</u>	<u>3,938</u>
EXCESS OF EXPENDITURES OVER REVENUE	<u>\$ 0</u>	187
FUND BALANCING – BEGINNING OF YEAR		<u>1,591</u>
FUND BALANCE – END OF YEAR		<u>\$ 1,778</u>

The accompanying notes are an integral part of these financial statements.

D. D. A. FUND

INVERNESS TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
D. D. A. FUND
BALANCE SHEET
MARCH 31, 2008

ASSETS

ASSETS:

Cash in Bank	\$ 90,447
Due From Other Governments	<u>92,516</u>

TOTAL ASSETS	<u>\$182,963</u>
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LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts Payable	<u>\$ 0</u>
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Total Liabilities	0
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FUND EQUITY:

Unreserved:	
Undesignated	<u>182,963</u>

TOTAL LIABILITIES AND FUND EQUITY	<u>\$182,963</u>
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INVERNESS TOWNSHIP
 CHEBOYGAN COUNTY, MICHIGAN
 D. D. A. FUND
 STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS
 BUDGET AND ACTUAL
 YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>
REVENUES:		
Taxes	\$ 48,000	\$ 92,516
Interest	<u>400</u>	<u>1,061</u>
Total Revenue	<u>48,400</u>	<u>93,577</u>
EXPENDITURES:		
Public Works	<u>48,110</u>	<u>2,700</u>
Total Expenditures	<u>48,110</u>	<u>2,700</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	290	90,877
OTHER FINANCING SOURCES (USES):		
Operating Transfers Out	<u>(33,590)</u>	<u>(33,590)</u>
Total Other Financing Sources (Uses)	<u>(33,590)</u>	<u>(33,590)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (33,300)</u>	57,287
FUND BALANCE – BEGINNING OF YEAR		<u>125,676</u>
FUND BALANCE – END OF YEAR		<u>\$182,963</u>

The accompanying notes are an integral
part of these financial statements.

OTHER

NIELAND & KOSANKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

201 SOUTH MAIN STREET, SUITE #2

CHEBOYGAN, MICHIGAN 49721

(231) 627-4396

FAX: (231) 627-6594

DANIEL R. NIELAND, C.P.A.
JOSEPH D. KOSANKE, C.P.A.

MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

July 18, 2008

Inverness Township
Township Board
Cheboygan County, Michigan

Re: Comments and Recommendations

I have examined the general purpose financial statements of Inverness Township, Cheboygan County, for the year ended March 31, 2008, and have issued my report thereon dated July 18, 2008.

My examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Solely to assist in planning and performing my examination, I made a study and evaluation of the internal accounting controls of Inverness Township, Cheboygan County. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because I am not relying on the entity's internal accounting control procedures to restrict my substantive tests, my study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, I do not express an opinion on the system of internal accounting control taken as a whole. Also, my examination made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

1. The Sewer Reserve Fund is a new fund used to account for repair and maintenance of the sewer system. There are required transfers required by the loan agreement. The required amounts are minimums, additional funds should be transferred if necessary to help the system in working order. Further, the repair and maintenance should be paid from the Sewer Reserve so that money due to other funds is not necessary.

Inverness Township
Page 2
July 18, 2008

2. Frequently, disbursements were made for various funds through the general fund and resulted in due to/due from other funds. Disbursements should be recorded in the general ledger for the particular fund; thereby eliminating due to/due from wherever possible.

I would like to thank Mrs. Beethem and Mr. Maxwell for their assistance during the audit. I found the Township to be in very sound financial condition; which is a tribute to the present and past boards and officers. I look forward to working with your Township in the future.

Sincerely,

Nieland & Kosanke, P. C.
Certified Public Accountants